Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

UNCLASSIFIED

PAGE 01 STATE 123883

47
ORIGIN EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 INR-07 L-03 ACDA-10

NSAE-00 PA-02 SS-15 PRS-01 SP-02 USIA-15 TRSE-00

SAJ-01 DODE-00 EB-07 COME-00 FRB-01 /081 R

DRAFTED BY EUR/RPE: GEWOLFE
APPROVED BY EUR/RPE: MR. ALBRECHT
CIA/OSR: MR. BURTON
EUR/RPM: MS. CAMPBELL
EUR/RPE: MR. SWARTZ
EUR/SOV: MR. COLBERT (SUBS)
---------- 109836
P R 201614Z MAY 76
FM SECSTATE WASHDC
TO USMISSION NATO PRIORITY
INFO AMEMBASSY MOSCOW

UNCLAS STATE 123883

E.O. 11652: N/A

TAGS: NATO, MPOL, ECON, UR

SUBJECT: ECONADS: MEETING ON SOVIET DEFENSE SPENDING

REF: NATO 2782

1. FOLLOWING IS TEXT OF INTRODUCTION TO UNCLASSIFIED PAPER ON USSR DEFENSE SPENDING IN RUBLES. SUGGEST MISSION MAKE TEXT AVAILABLE TO DIRECTORATE FOR TRANSLATION AND TO OTHER MISSIONS FOR CIRCULATION PRIOR TO RECEIPT OF PRINTED COPIES WHICH HAVE BEEN POUCHED MAY 19.

2. TEXT FOLLOWS:

ESTIMATED SOVIET DEFENSE SPENDING IN RUBLES, 1970-1975
-- KEY JUDGMENTS
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 123883

NOTE: THIS REPORT--THE LATEST IN A SERIES OF PUBLICATIONS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

ON SOVIET RUBLE (UNDERSCORED) OUTLAYS FOR DEFENSE PROGRAMS--
PRESENTS A MAJOR REVISION OF PAST ESTIMATES. OUR NEW
ESTIMATES INCORPORATE AN UNUSUALLY LARGE BODY OF NEW
INFORMATION, MUCH OF WHICH IS STILL BEING EVALUATED.
THEREFORE, THE NEW ESTIMATES SHOULD BE VIEWED AS INTERIM
AND SUBJECT TO CHANGE AS THE WORK PROGRESSES. END NOTE.

-- ANALYSIS OF NEW EVIDENCE HAS RESULTED IN A MAJOR UP-
WARD REVISION OF THE ESTIMATE OF THE LEVEL AND TREND OF
SOVIET RUBLE OUTLAYS FOR DEFENSE. THE NEW ESTIMATE IS ABOUT
ABOUT TWICE THE PREVIOUS ESTIMATE OF TOTAL RUBLE SPENDING
FOR DEFENSE IN 1975.

--- WE NOW ESTIMATE THAT SOVIET SPENDING FOR DEFENSE--
AS DEFINED IN US BUDGETARY ACCOUNTS--GREW FROM ABOUT 40-45
BILLION RUBLES IN 1970 TO ABOUT 50-55 BILLION RUBLES IN
1975, MEASURED IN CONSTANT 1970 PRICES.

-- UNDER A BROADER DEFINITION--AS THE SOVIETS MIGHT
ACCOUNT FOR THEIR DEFENSE EFFORT--WE ESTIMATE DEFENSE
SPENDING AT ABOUT 45-50 BILLION RUBLES FOR 1970 AND ABOUT
55-60 BILLION RUBLES FOR 1975.

-- DEFENSE SPENDING IN RUBLES IS NOW ESTIMATED TO
HAVE INCREASED AT AN AVERAGE ANNUAL RATE OF 4-5 PERCENT
OVER THE PERIOD RATHER THAN 3 PERCENT AS PREVIOUSLY
BELIEVED. DURING 1973-1975 IT GREW ABOUT 5-6 PERCENT PER
YEAR, REFLECTING LARGELY THE DEPLOYMENT PHASE OF THE NEW
GENERATION OF STRATEGIC MISSILE PROGRAMS.

-- SEVERAL FACTORS HAVE CONTRIBUTED TO THE INCREASE
IN OUR ESTIMATE OF TOTAL SPENDING FOR DEFENSE. ABOUT 90
PERCENT OF THE INCREASE RESULTS FROM CHANGES IN OUR
UNDERSTANDING OF RUBLEPRICES AND COSTS. CHANGES IN
NATIONAL INTELLIGENCE ESTIMATES OF THE SIZE OF THE
SOVIET FORCES, AND THE ADDITION OF COSTS OF SOME ACTIVITIES
WHICH PREVIOUSLY WERE NOT INCLUDED EXPLICITLY IN OUR
ESTIMATES--FOR EXAMPLE, PREINDUCTION MILITARY TRAINING AND
OUTLAYS FOR UTILITIES--ACCOUNT FOR THE REMAINING 10
PERCENT FO THE INCREASE.
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 123883

-- THE REVISED ESTIMATE OF THE RUBLE COSTS OF SOVIET DEF-
ENSE HAS HAD A MAJOR EFFECT ON SOME IMPORTANT INTELLIGENCE
JUDGMENTS, BUT NOT ON OTHERS. SPECIFICALLY, BECAUSE THE
CHANGES ARE LARGELY THE RESULT OF ESTIMATES OF HIGHER
RUBLE PRICES RATHER THAN DISCOVERY OF LARGER PROGRAMS,
THE REVISED ESTIMATE:

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

-- DOES NOT AFFECT OUR APPRAISAL OF THE SIZE OR CAPABILITIES OF SOVIET MILITARY FORCES. SUCH ESTIMATES ARE BASED MAINLY ON DIRECT EVIDENCE.

-- DOES NOT HAVE AN IMPORTANT EFFECT ON OUR ESTIMATES OF THE DOLLAR COST OF REPRODUCING SOVIET DEFENSE PROGRAMS IN THE US. WE ESTIMATE THE COST OF REPRODUCING

1975 SOVIET DEFENSE PROGRAMS IN THE US AT ABOUT 114 BILLION DOLLARS (1974 PRICES), SOME 40 PERCENT HIGHER THAN COMPARABLE US AUTHORIZATIONS IN 1975. (SEE FOOTNOTE BELOW)

-- THE NEW ESTIMATES DO ALTER SIGNIFICANTLY OUR PERCEPTIONS ABOUT THE ECONOMIC IMPLICATIONS OF SOVIET DEFENSE PROGRAMS:

-- SINCE 1970, DEFENSE REQUIREMENTS HAVE BEEN ABSORBING SOME 11-13 PERCENT OF SOVIET GROSS NATIONAL PRODUCT (GNP), DEPENDING ON THE DEFINITION OF DEFENSE THAT IS EMPLOYED. PREVIOUSLY, WE HAD ESTIMATED THAT DEFENSE TOOK SOME 6-8 PERCENT OF GNP.

-- ZDDD THE SOVIET DEFENSE INDUSTRIES ARE FAR LESS EFFICIENT THAN FORMERLY BELIEVED.

-- THE DEFENSE EFFORT NOW TAKES ABOUT ONE-THIRD OFTHE ANNUAL OUTPUT OF THE MACHINERY SECTOR OF THE SOVIET ECONOMY.

-- BECAUSE THE RESOURCE IMPACT OF THE DEFENSE EFFORT ON THE SOVIET ECONOMY HAS BEEN CONSIDERABLY GREATER THAN WE PREVIOUSLY RECOGNIZED, WE NOW REALIZE THAT SOVIET LEADERS HAVE BEEN MORE WILLING THAN WE THOUGHT TO FORGO(SIC) ECONOMIC GROWTH AND CONSUMER SATISFACTION IN FAVOR OF UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 123883

MILITARY CAPABILITIES. NEVERTHELESS, WE SEE NO EVIDENCE THAT ECONOMIC CONSIDERATIONS ARE DETERRING THE SOVIETS FROM CONTINUING THE PRESENT PACE AND MAGNITUDE OF THEIR DEFENSE EFFORT. MUCH WORK REMAINS TO BE DONE, HOWEVER, IN ASSESSING THE IMPLICATIONS OF OUR NEW ESTIMATES FOR FUTURE SOVIET POLICY DECISIONS. (END TEXT OF INTRODUCTION)
(FOOTNOTE CITED ABOVE FOLLOWS)
NOTE: AN UNCLASSIFIED SUMMARY STATEMENT OF OUR MOST RECENT DOLLAR COST ESTIMATES APPEARS IN SR 76-10053, A DOLLAR COMPARISON OF SOVIET AND US DEFENSE ACTIVITIES, 1965-1975, FEBRUARY 1976. (END TEXT OF FOOTNOTE)
END TEXT.
ROBINSON

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

UNCLASSIFIED

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY EXPENDITURES, ECONOMISTS, RUBLE
Control Number: n/a
Copy: SINGLE
Draft Date: 20 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE123883
Document Source: CORE
Document Unique ID: 00
Drafter: GEWOLFE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760196-0075
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760532/aaaabawk.tel
Line Count: 167
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by wolfsd>; APPROVED <19 JAN 2005 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONADS: MEETING ON SOVIET DEFENSE SPENDING
TAGS: MPOL, ECON, UR, NATO
To: NATO BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006